

Message Text

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PAGE 01 STATE 189372

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ORIGIN OPIC-12

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R 282215Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI

UNCLAS STATE 189372

E.O. 11652: N/A

TAGS: EINV

SUBJ: FEEDLOT INVESTMENT

1. KELLY HAS IDENTIFIED POSSIBLE INVESTOR IN ADC FEEDLOTS LANET AND NAKURU. BEFORE PROCEEDING FURTHER, INVESTOR ASKED SEVERAL QUESTIONS OPIC COULD NOT ANSWER. WOULD APPRECIATE EMBASSY ASSISTANCE.

(A) IS READY-MIX CEMENT AVAILABLE AT LANET AND NAKURU SITES? WHAT IS COST OF CEMENT AT SITE?

(B) WOULD HEAVY MOBILE CRANES BE AVAILABLE AT SITES FOR SETTING HEAVY ELEVATED MACHINES IN PLACE? CAN THESE BE RENTED AT WHAT PRICE?

(C) CAN 110 VOLT 60 CYCLE ELECTRICAL MOTORS BE USED AT SITES?

(D) CAN PORTABLE WELDING EQUIPMENT BE RENTED? COST?

(E) CAN MAIZE BE PURCHASED IN BULK (TRUCKLOADS) FROM MAIZE CONTROL BOARD. OR IS IT ONLY AVAILABLE IN SACKS? CURRENT PRICE?

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PAGE 02 STATE 189372

(F) WHAT IS CURRENT PRICE OF SHELL OIL MUM CATTLE FEED MIX?

(G) IS PINEAPPLE PULP FROM DEL MONTE AVAILABLE FOR SALE TO NEW FEEDLOTS?

(H) IS ANY ALFALFA GROWN IN KENYA? ARE ALFALFA BY-PRODUCTS SUCH AS PELLET OR MEAL AVAILABLE (IMPORTED). ANSWERS TO FIRST FIVE QUESTIONS MOST CRITICAL; APPRECIATE ANSWER THESE ASAP.

2. OPIC ASKED KENYAN AMBASSADOR KIBINGE TO REQUEST CHANGE IN CLOSED COMPANY REGULATION WHICH LIMITS ANNUAL REINVESTMENT OF EARNINGS TO 18 PERCENT OF PRE-TAX PROFITS. CHANGE IN THIS REGULATION FOR FEEDLOTS IS ESSENTIAL BEFORE U.S. FEEDLOT INVESTOR WOULD INVEST IN KENYA. BECAUSE OF RELATIVELY LOW FIXED ASSET INVESTMENT IN FEEDLOTS AND HENCE SMALL DEPRECIATION CHARGE TO EARNINGS, REGULATION PREVENTS FIRM FROM RETAINING SUFFICIENT CASH TO REPAY LOANS WHICH MAKES LONG-TERM FINANCING FOR EXPANSION UNATTRACTIVE. AMBASSADOR KIBINGE WROTE IN LATE JUNE TO MIN.AG. KIBE WHO RESPONDED THAT MATTER IS UNDER FAVORABLE CONSIDERATION. NOTHING HAS BEEN HEARD RECENTLY. SINCE SERIOUS INVESTOR IS NOW INTERESTED, OPIC WOULD APPRECIATE EMBASSY INQUIRE GOK MIN FINANCE AND ECON PLANNING STATUS OF REGULATION, IF EMBASSY DEEMS IT APPROPRIATE. IF LETTER FROM OPIC MORE APPROPRIATE PLEASE ADVISE. REFERENCE IS MEMO FROM R. VON KAUFMANN OF RANCH SECTION AGRIC FINANCE CORPORATION TO C. SLATER, MIN FIN ECON PLANNING, COPY OF WHICH LEFT WITH EMBASSY BY OPIC OFFICER MCCALLUM. OPIC UNDERSTANDS THAT REGULATION CAN BE CHANGED ADMINISTRATIVELY. APPRECIATE GREATLY WHATEVER ASSISTANCE AND GUIDANCE EMBASSY CAN GIVE.

3. OPIC WILL ADVISE EMBASSY OF INVESTOR'S INTENTIONS AS SOON AS FIRM IS PREPARED TO DEAL DIRECTLY WITH OPIC AND KENYANS. DUE TO U.S. FEEDLOT INDUSTRY DOLDRUMS OTHER INVESTORS KELLY APPROACHED EXTREMELY CAUTIOUS AND UNCERTAIN AND NOT INTERESTED OVERSEAS AT PRESENT TIME. KISSINGER

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